

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-01 INR-05 NSAE-00 RSC-01 CIEP-01 SP-02 STR-01

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 NSC-05 SS-15 H-01

L-02 PA-01 PRS-01 USIA-06 INT-05 AGR-05 /085 W

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P R 201832Z DEC 74

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 8035

INFO ALL EC CAPITALS 187

AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: PFOR, ETRD, EFIN, EEC, CA

SUBJECT: EC COUNCIL: FINANCE, DECEMBER 19, 1974

REFS: A) EC BRUSSELS 9970

B) BONN 19506

C) EC BRUSSELS 9807

D) EC BRUSSELS 7122

1. SUMMARY. AS THE FINAL SESSION UNDER THE FRENCH PRESIDENCY, THE FINANCE MINISTERS MEETING IN BRUSSELS ON DECEMBER 19, 1974 WAS NOTABLE BOTH FOR THE AMBITIOUSNESS OF ITS AGENDA AND THE NUMBER OF ITEMS ON WHICH THE MINISTERS FAILED TO REACH ANY DECISIONS. THE MINISTERS APPROVED A TWO-MONTHS' EXTENSION OF CANADA'S RIGHTS UNDER GATT ART. 28:3, TO GIVE TIME FOR RESOLUTION OF THE ART. 24:6 NEGOTIATION. THEY ALSO DISCUSSED THE COMMUNITY'S DRAFT MANDATE FOR THE MTN, ALTHOUGH NO DEFINITIVE AGREEMENT WAS REACHED (SEPTTEL). THE MINISTERS REPORTEDLY WERE IN GENERAL AGREEMENT ON THE EXPANSION OF THE IMF OIL FACILITY. THE GERMAN FINANCE MINISTER APEL WAS CHARACTERIZED AS REACTING NEGATIVELY TO THE U.S. PROPOSAL

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FOR RECYCLING BECAUSE MUCH OF ITS LIABILITY WOULD REST ON

THE FRG. COUNCIL PRESIDENT FOURCADE SAID THAT AT MARTINIQUE FRANCE AND THE US HAD RECONCILED THEIR POSITIONS ON REVALUING GOLD AND THAT FRANCE INTENDED TO REVALUE ITS GOLD STOCK "IN THE NEAR FUTURE." THE FINANCE MINISTERS WILL MEET JANUARY 6-8 IN LONDON, PROBABLY AS A COUNCIL, TO HARMONIZE THEIR POSITIONS PRIOR TO THE G-20 MEETING. THEY CANCELLED THEIR COUNCIL SCHEDULED FOR JANUARY 27, AND WILL NEXT MEET IN BRUSSELS ON FEBRUARY 17, END SUMMARY.

2. PETRO-DOLLAR RECYCLING: THE COUNCIL HELD AND INITIAL EXCHANGE OF VIEWS ON PETRO-DOLLAR RECYCLING WHICH WILL BE CONTINUED WHEN THE MINISTERS MEET IN LONDON ON JANUARY 6-8. ACCORDING TO SEVERAL SOURCES PRESENT FOR THE DISCUSSIONS, INCLUDING IRISH FINANCE MINISTER RYAN, THERE WAS "GENERAL AGREEMENT" AMONG MEMBER STATES ON THE PROPOSED EXPANSION OF THE IMF OIL FACILITY. GERMAN FINANCE MINISTER APEL WAS CHARACTERIZED BY THESE SOURCES AS BEING NEGATIVE DURING THE MEETING TOWARD THE KISSINGER RECYCLING PROPOSALS, REPORTEDLY BECAUSE UNDER THE US PLAN MUCH OF THE LIABILITY FOR THE OPERATION WOULD REST ON THE GERMANS. ONE OF THE REASONS THE FRG FAVORS THE EXPANDED THE IMF FACILITY IS BECAUSE IT PROVIDES FOR A GREATER DIVERSIFICATION OF LIABILITIES. (SEE REF. B). (SUBSEQUENT TO THE COUNCIL, A GERMAN PERMANENT REPRESENTATION SOURCE IN DISCUSSION WITH US MAINTAINED THAT, DESPITE THE FOREGOING INFORMATION, APEL HAD INDICATED TO HIS COLLEAGUES THAT THE FRG HAS NOT YET TAKEN A FINAL POSITION ON THE US RECYCLING PROPOSAL). IN A PRESS CONFERENCE ON THE FRINGES OF THE COUNCIL, CHANCELLOR HEALY CHARACTERIZED THE MEETING AS PRODUCING "UNANIMOUS" SUPPORT FOR THE PROPOSED IMF FACILITY, WHICH HAS HAS ADVOCATED AS SOON AS POSSIBLE. HE SAID THAT THE US PLAN WAS FOR A "RICH MAN'S CLUB" WITH COMPLEX CONDITIONS AND THAT IT COULD NOT BE IN PLACE BEFORE THE END OF 1975. ON THE OTHER HAND, HEALY THOUGHT THE IMF FACILITY COULD BE FUNCTIONING BY APRIL. HEALY REPORTED THAT HE HAD DISCUSSED RECYCLING DURING HIS RECENT TRIP TO SAUDI ARABIA, AND THAT THE SAUDIS "AGREED" WITH THE IMF PROPOSAL. AT THE CONCLUSION OF THEIR DISCUSSIONS, THE MINISTERS AGREED TO ASK THE COMMISSION TO RE-DRAFT ITS GENERAL PRINCIPLES (SEE REF. C) WHICH LIMITED OFFICIAL USE

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WERE DESCRIBED BY A BELGIAN SOURCE AS BEING "TOO MUCH IN FAVOR OF THE KISSINGER APPROACH." THE COMMUNITY, HOWEVER, IS NOT EXPECTED TO TAKE ANY POSITION ON THESE VARIOUS PROPOSALS UNTIL THE JANUARY 6-08 LONDON MEETING.

3. COMMUNITY REPRESENTATION IN THE GROUP OF TEN:  
THE MINISTERS AUTHORIZED THE COUNCIL PRESIDENCY TO

HAVE TALKS AT THE EARLIEST OPPORTUNITY WITH WITTEVEEN  
AND THE NON-COMMUNITY MEMBERS OF THE G-10 IN AN  
EFFORT MORE CLOSELY TO ASSOCIATE IRELAND, DENMARK  
AND LUXEMBOURG WITH THAT GROUP'S DISCUSSIONS ON RECYCLING.

4. EURO-BORROWING OF PETRO-DOLLARS:

THE COUNCIL GAVE ITS AGREEMENT IN PRINCIPLE TO A  
REGULATION IMPLEMENTING EC PLANS TO BORROW FUNDS TO  
ASSIST THOSE MEMBER STATES WITH BALANCE OF PAYMENTS  
PROBLEMS RESULTING FROM INCREASED OIL PRICES. (REF. A).  
IRISH FINANCE MINISTER RYAN INDICATED THAT IRELAND  
DID NOT, AT THIS TIME, INTEND TO JOIN ITALY IN  
AVAILING ITSELF OF THE FACILITY, BUT WOULD NOT RULE  
OUT THE POSSIBILITY FOR THE FUTURE. (UK CHANCELLOR  
HEALY SAID OUTSIDE OF THE COUNCIL MEETING THAT HE HAD  
MENTIONED THE EURO-BORROWING WHILE HE WAS IN SAUDI  
ARABIA, AND THAT WHILE THE SAUDIS PROFESSED TO BE  
UNINFORMED ON THE SUBJECT, THEY HAD REACTED "POSITIVELY.")

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5. DISCUSSIONS ON THE ZEIST AGREEMENT AT MARTINIQUE:

FOURCADE SAID AT A PRESS CONFERENCE FOLLOWING THE COUNCIL MEETING THAT HE HAD INFORMED HIS COLLEAGUES THAT FRANCE AND THE UNITED STATES HAD REACHED AN AGREEMENT ON THE REVALUATION OF GOLD ASSETS DURING THE MARTINIQUE TALKS. FOURCADE SAID THAT AS FAR AS EUROPE WAS CONCERNED, "WE ARE GOING TO REVALUE OUR GOLD ASSETS." HE SAID FRANCE INTENDED TO DO THIS "IN THE NEAR FUTURE."

6. NEW UNIT OF ACCOUNT: THE COUNCIL CONSIDERED VARIOUS PROPOSALS FOR A NEW UNIT OF ACCOUNT. THEY ASKED THE EC MONETARY COMMITTEE TO PREPARE A STUDY, INCLUDING QUANTITATIVE ASPECTS, ON THE PROJECTED EFFECTS OF THE VARIOUS PROPOSALS. BRITISH SOURCES COMMENTED THAT THE UK WOULD NOT ACCEPT ANY CHANGE IN THE PRESENT UNIT OF ACCOUNT WHICH WOULD WEAKEN THOSE GAINS MADE ON BUDGET RENEGOTIATION AT THE EUROPEAN SUMMIT. THE FINANCE MINISTERS WILL DISCUSS THIS ISSUE AGAIN AT THEIR FEBRUARY MEETING.

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7. EUROPEAN MONETARY COOPERATION FUND (FECOM): AFTER A VERY BRIEF DISCUSSION, THE MINISTERS DECIDED TO FORWARD THE COMMISSION'S PROPOSALS ON STRENGTHENING THE FECOM TO THE EUROPEAN PARLIAMENT AND TO THE ECONOMIC AND SOCIAL COMMITTEE FOR THEIR OPINIONS. SINCE SEVERAL DELEGATIONS COMPLAINED THEY HAD NOT RECEIVED THE COMMISSION PROPOSALS IN TIME TO STUDY THEM SUFFICIENTLY, THE COUNCIL AGREED TO TAKE THE MATTER UP AGAIN AFTER CONSULTING THE EC MONETARY COMMITTEE AND THE EUROPEAN CENTRAL BANKERS. WE ARE INFORMED THAT ONLY THE BELGIANS INDICATED THEIR SUPPORT FOR THE COMMISSION'S IDEAS AT THIS TIME.

8. POST SUMMIT ECONOMIC DISCUSSIONS: THE COUNCIL DISCUSSED THE CONVERGENCE OF ECONOMIC POLICIES AMONG THE NINE CALLED FOR IN THE SUMMIT COMMUNIQUE AND AGREED TO CONSIDER A PROPOSAL MADE BY BELGIAN FINANCE MINISTER DE CLERQ (HIGHLIGHTS OF TEXT BEING SENT SEPTEL). THE MINISTERS ALSO RECEIVED PROGRESS REPORTS ON THE "FOURCADE PROPOSALS" BUT TOOK NO ACTION.

9. CONTACT COMMITTEE OF CENTRAL BANKERS: AFTER A BRIEF DISCUSSION, THE COUNCIL AGREED TO CONSIDER THE COMMISSION PROPOSAL FOR THE ESTABLISHMENT OF A CONTRACT COMMITTEE OF CENTRAL BANKERS AT ITS FEBRUARY 17 SESSION.

10. JOINT FLOATING FOR COMMUNITY CURRENCIES: THE COUNCIL HEARD REPORTS FROM THE MONETARY COMMITTEE AND THE COMMITTEE OF CENTRAL BANKERS ON THE IMPLEMENTATION

OF JOINT FLOATING AND DECIDED TO CONTINUE STUDIES  
ON THE SUBJECT.

11. EC-CANADIAN ART. 24:6 NEGOTIATION: THE COUNCIL,  
OVERCOMING EARLIER FRENCH OBJECTIONS, AGREED TO EXTEND  
BY TWO MONTHS CANADA'S RIGHTS UNDER GATT ART. 28:3  
IN ORDER TO GIVE TIME FOR CONCLUSION OF THE  
ART. 24:6 NEGOTIATIONS WITH CANADA. ALTHOUGH FRENCH  
FINANCE MINISTER FOURCADE SAID THAT PROGRESS COULD  
POSSIBLY BE MADE DURING THE TWO MONTH DELAY, THE  
COUNCIL FORMALLY REAFFIRMED THAT THE COMMUNITY'S  
POSITION ON THE OUTCOME OF THE NEGOTIATIONS REMAINS  
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UNCHANGED. SOAMES FOUGHT OFF A FRENCH ATTEMPT TO ADD  
A NOTE THAT THE COMMUNITY, AS A FURTHER CONDITION TO  
EXTENSION OF THE ART. 28:3 DEADLINE, WOULD NOT  
PARTICIPATE IN THE WORK OF THE GATT PANEL WHICH CANADA  
HAS REQUESTED. THE MINISTERS EMPHASIZED THAT THEY DO  
NOT ENVISAGE FURTHER PROLONGATION BEYOND MARCH 31, 1975.

12. MISCELLANEOUS: IN ONE OF THE FEW DEFINITIVE  
DECISIONS OF THE DAY, THE MINISTERS AGREED TO EXEMPT,  
AS OF APRIL 1, 1975, SMALL PARCELS SENT WITHIN THE  
COMMUNITY FROM CUSTOMS AND EXCISE TAXES, PROVIDED  
THEIR VALUE DID NOT EXCEED 40 UA (APPROXIMATELY \$45).  
THE MINISTERS ADOPTED A RESOLUTION AIMED AT IMPROVING  
THE COOPERATION BETWEEN NATIONAL TAX AUTHORITIES TO  
PREVENT BUDGET LOSSES DUE TO INTERNATIONAL TAX EVASION  
AND AVOIDANCE. THE MINISTERS ALSO HEARD A REPORT ON  
THE PROPOSALS FOR THE HARMONIZATION OF THE VALUE ADDED  
TAX WITHIN THE COMMUNITY. GREENWALD

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